



### Why we did this audit:

- Safe and affordable child care is important to Nova Scotians
- There are 17,200 licensed child care spaces in Nova Scotia
- \$37 million for families and child care centres through the child care subsidy and early childhood enhancement grant programs

### Overall conclusions:

- Department does good job monitoring licensed child care centres
- Complaints investigation works well
- Department needs better monitoring of agencies overseeing family home day cares
- Department hasn't defined accessibility and affordability of child care
- Department needs to better manage grant and subsidy programs

### What we found in our audit:

- Child care centres properly licensed according to policies
- Department inspects licensed child care centres and agencies as required
- Department follows up on violations from inspections to see if corrected
- Department investigates complaints against child care providers in a timely and appropriate manner
- In 2015, Department did a child care review that included accessibility and affordability
- Department not inspecting approved family home day cares as required by policy
- Inspectors uncertain at times how to treat high-priority violations such as criminal record checks
- Province has not defined what it considers to be accessible and affordable child care
- Performance measures do not measure accessibility and affordability
- At 26%, Department didn't meet its 31% target for subsidized spaces
- Department not managing grant and subsidy programs to ensure they achieve what they were intended to



Recommendations at a Glance	Auditee Agreement and Page Reference
<b>Recommendation 1.1</b> The Department of Education and Early Childhood Development should clarify its policy on higher-priority violations, including defining direct contact with children.	Agree 14
<b>Recommendation 1.2</b> The Department of Education and Early Childhood Development should develop and implement a quality assurance process to review inspectors' work.	Agree 15
<b>Recommendation 1.3</b> The Department of Education and Early Childhood Development should update and follow its licensed family home day care inspection policy. This should include mechanisms for the Department to verify the inspection information reported by family home day care agencies.	Agree 16
<b>Recommendation 1.4</b> The Department of Education and Early Childhood Development should develop and implement a policy outlining how complaints against child care providers and agencies are to be investigated.	Agree 18
<b>Recommendation 1.5</b> The Department of Education and Early Childhood Development should develop relevant performance measures to assess the effectiveness of its affordability and accessibility initiatives.	Agree 20
<b>Recommendation 1.6</b> The Department of Education and Early Childhood Development should use project management structures to plan, oversee the work, and monitor results of the <i>Affordable, Quality Child Care: A Great Place to Grow</i> action plan. Work plans should be detailed and specify what needs to be done, when, and expected results.	Agree 21
<b>Recommendation 1.7</b> The Department of Education and Early Childhood Development should review its policy for determining the status of subsidy claimants and conduct status reviews as required.	Agree 23
<b>Recommendation 1.8</b> The Department of Education and Early Childhood Development should implement review processes to help verify grant and subsidy claims.	Agree 24

# 1 Licensed Child Care

## Background

- 1.1 There are two categories of licensed child care in Nova Scotia: child care centres and family home day care agencies.

<p><b>Child Care Centres</b></p> <ul style="list-style-type: none"> <li>• Commercial or nonprofit organization</li> <li>• Licensed and inspected by Education and Early Childhood Development</li> <li>• 391 licensed child centres in Nova Scotia caring for 16,000 children</li> </ul>
<p><b>Family Home Day Care Agencies</b></p> <ul style="list-style-type: none"> <li>• Licensed by Education and Early Childhood Development</li> <li>• Approves and monitors family home day cares</li> <li>• 15 in Nova Scotia</li> </ul>
<p><b>Family Home Day Cares</b></p> <ul style="list-style-type: none"> <li>• Child care in private home for up to six children, or eight school-aged children, including the provider's own</li> <li>• Inspected by licensed family home day care agencies</li> <li>• 207 family home day cares in Nova Scotia caring for 1,200 children</li> </ul>

- 1.2 Licensed child care in Nova Scotia is governed by the Day Care Act and Regulations, which outline licensing requirements and other conditions for the operation of child care centres, approved family home day cares, and family home day care agencies including:

- Child-to-staff ratios and maximum child capacity, depending on the type of centre
- Qualification requirements and background checks for staff
- Regular onsite inspections
- Recordkeeping requirements
- Compliance with health and safety authorities, including health and fire prevention

- 1.3 The Department of Education and Early Childhood Development is responsible for licensing child care centres and family home day care agencies. The agencies are then responsible for approving family home day cares and ensuring these are managed in accordance with the Act and Regulations. While Department staff completes inspections of licensed child care centres to ensure compliance with the legislation, approved family home day cares are inspected by the family home day care agencies. Prior to September 2013, the Department of Community Services was responsible for licensed child care centres.



- 1.4 The Department of Education and Early Childhood Development offers funding programs to families and licensed child care providers. The child care subsidy program provides funding to child care centres on behalf of eligible families to reduce the cost of licensed child care. The early childhood enhancement grant offers funding to child care providers to support operating expenses and pay higher wages to child care staff. The total funding provided under these programs in 2014-15 was approximately \$37 million.
- 1.5 In March 2016, the Department of Education and Early Childhood Development released the results of a review of child care within Nova Scotia. The report made 18 recommendations in areas such as accessibility and affordability of child care programs.

### Audit Objectives and Scope

- 1.6 In summer 2016, we completed a performance audit at the Department of Education and Early Childhood Development. The purpose of the audit was to determine whether the Department oversees licensed child care centres in a manner that provides safe, affordable and accessible child care for families.
- 1.7 We completed this audit because safe and affordable child care is important to Nova Scotians. In August 2014, the Minister of Education and Early Childhood Development issued a memo to child care providers across the province outlining frequent violations that were being identified, which included child abuse registry checks, criminal record checks and first aid certifications for staff. The memo noted the need for child care providers to be in compliance with all requirements of the Day Care Act and Regulations.
- 1.8 The audit was conducted in accordance with sections 18 and 21 of the Auditor General Act and auditing standards of the Chartered Professional Accountants of Canada. It covered the period from April 1, 2014 to March 31, 2016.
- 1.9 The objectives of the audit were to determine whether the Department of Education and Early Childhood Development:
  - is adequately monitoring and enforcing compliance with the day care legislation, and related standards and policies;
  - is adequately monitoring and assessing the accessibility and affordability of child care;
  - is managing the child care subsidy and early childhood enhancement grant programs in accordance with agreements, policies and procedures; and



- has adequate processes to ensure the child care subsidy and early childhood enhancement grant programs are achieving intended outcomes.
- 1.10 Generally accepted criteria consistent with the objectives of the audit did not exist. Audit criteria were developed specifically for this engagement. Criteria were accepted as appropriate by senior management within the Department of Education and Early Childhood Development.
- 1.11 The audit approach included reviewing relevant legislation, policies and processes. We interviewed management and staff at the Department of Education and Early Childhood Development and tested licensing, inspection, subsidy, and grant files to determine compliance with the relevant legislation, policies and processes. We also examined the Department's goals related to the affordability and accessibility of child care, along with related performance information.

## Significant Audit Observations

### Licensing and Inspection – Child Care Centres

#### Conclusions and summary of observations

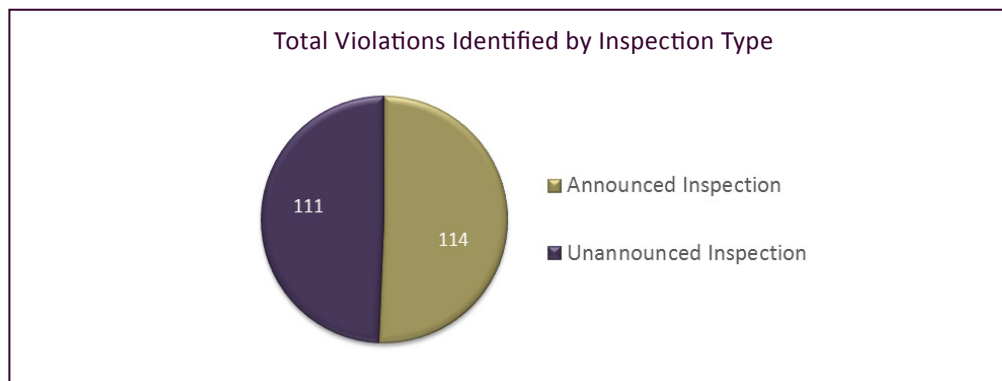
The Department of Education and Early Childhood Development is adequately monitoring licensed child care centres. During our audit period, centres met all requirements prior to being issued a license to operate. Department inspectors are conducting both scheduled and unannounced inspections of licensed child care centres and the majority of violations are corrected in a timely manner. When violations are not corrected within the time period set by inspectors, steps are taken to achieve compliance. However, there is some confusion around addressing high-priority violations related to criminal and child abuse registry checks. We recommended the Department clarify its policy around these types of violations.

- 1.12 *Initial licensing process* – The Department of Education and Early Childhood Development has a documented process for licensing child care centres. We tested 10 child care centres that were granted licenses during the audit period and found the licensing process was followed. Applicants submitted the required documentation and licensing inspections were completed before the license was issued.
- 1.13 *Licensed child care centre inspection process* – Licensed child care centres have two inspections a year to confirm compliance with the Day Care Act and Regulations. One of these inspections is scheduled in advance, while



the second is unannounced. Inspections are completed by staff from the Department of Education and Early Childhood Development using an inspection checklist. If violations are identified, the centre is given a date by which these must be corrected and follow-up inspections are completed to ensure violations have been addressed.

1.14 *Licensed child care centre inspections* – We examined the inspections of 45 licensed child care centres across the province between April 1, 2014 and March 31, 2016. For these centres, there were 158 inspections which identified 225 violations of the Day Care Act and Regulations. The number of violations was similar at announced versus unannounced inspections.



1.15 The ten most frequent violations identified in the inspections we tested are listed below.

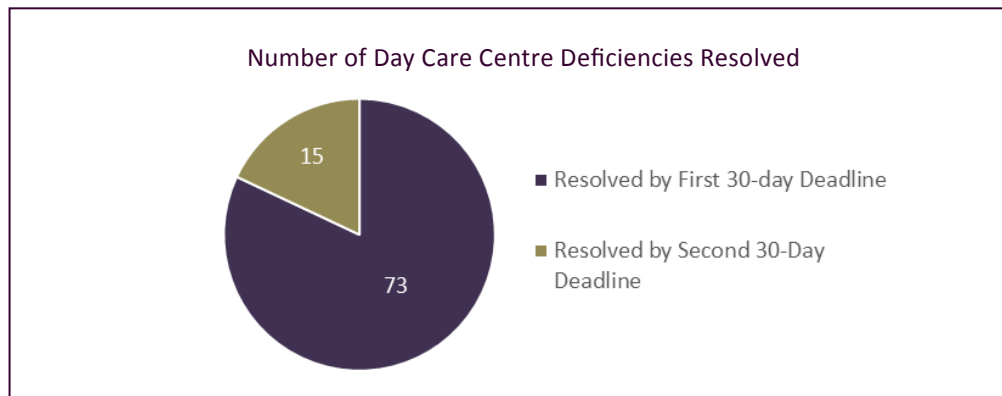
Number of Violations	Violation	Day Care Regulation
17	All Day Care staff who work directly with children must have a valid first aid certificate, including infant CPR.	28(1)
15	Licensees must complete a child abuse registry check for any person, 13 or older, who will have contact with children in a licensed day care program.	43(2)(a) 43(4)
13	For each child in the centre, the care provider must document semi-annual reports regarding the child's development.	31(1)(i)
12	For each child in the centre, the care provider must keep a health questionnaire completed by the child's parent or guardian on file, including immunization dates.	31(1)(d)
11	A person who holds an early education classification must complete at least 30 hours of professional development related to early childhood care/ education every three years.	38
10	Children enrolled in day care must be provided with one or more safe and suitable outdoor play spaces located at the centre.	22(2)(a)
7	A Parent Committee must meet at least 2 two times per year.	48(1)
7	A licensee must follow Provincial guidelines for promoting and maintaining health and safety and preventing and controlling communicable diseases.	28(3)
6	Criminal record checks (vulnerable sector checks) are required for any person, 18 or older, who has contact with children, including volunteers.	43(1)(a) 43(2)(a) 43(3)
6	A licensee must have a behaviour guidance policy and ensure that all staff and volunteers have training in the policy prior to starting employment or volunteering.	19(2)(a)



► **Most violations corrected in a timely manner**

1.16 *Enforcement of requirements at licensed child care centres* – If violations are identified, licensed child care centres have another inspection in 30 days to confirm the issues have been corrected. If a violation is not corrected after the 30-day period, centres are issued a warning letter stating a probationary license will be issued if the violations have not been fixed within another 30 days.

1.17 Of the 158 inspections we tested, 88 identified at least one violation. Approximately 83 percent (73 of 88), were corrected by the centre within the 30-day deadline. Of the 15 inspections with violations which were not corrected within the first 30-day period, warning letters were issued to the centre in all but one instance. All violations identified were corrected by the centre by the second 30-day deadline.



► **Policy on treatment of high-priority violations not clear**

1.18 *High-priority violations* – As of March 1, 2015, the following violations were considered high priority by the Department of Education and Early Childhood Development.

- Failure to obtain or renew criminal record checks and child abuse registry checks
- Serious nutrition violations, such as failure to provide adequate and nutritious meals and snacks

1.19 High-priority violations are to be corrected immediately. In the case of criminal record checks and child abuse registry checks, employees who do not have these on file, or who have not appropriately renewed these checks as required, are not allowed to work directly with children. If an individual’s position requires them to be in direct contact with children, they must be removed from this duty immediately and not permitted to be in direct contact with children until the required checks have been obtained.



- 1.20 Several inspectors told us there was confusion around what direct contact with children means. For example, inspectors told us centres may ask if a staff member with an expired child abuse registry check can work in the kitchen while waiting for updated checks. In some instances, requiring a day care staff member to leave could result in violations of the child-to-staff ratios. This could lead to parents being asked to remove their children from the centre until the child-to-staff ratios are corrected.

**Recommendation 1.1**

The Department of Education and Early Childhood Development should clarify its policy on high-priority violations, including defining direct contact with children.

*Department of Education and Early Childhood Development Response: The Department agrees with this recommendation and will be releasing a new compliance policy within the coming months that will clearly identify what high priority violations are and the process that will be followed when they are identified. Additional information to assist with interpretation of these violations and the expectations for compliance will be included on the Licensee's Manual for Regulated Child Care Settings. In the interim, frequently asked Questions went out to Department staff and the sector, on August 18, 2016, which clarified the definition of contact with children.*

- 1.21 As noted above, the Department's high-priority violations policy was implemented on March 1, 2015. Three of the six violations related to criminal record/vulnerable sector checks, noted in an earlier chart, occurred after the new policy was implemented. There were two instances in which a high-priority violation was not corrected immediately. In one case, an individual with an expired criminal record check continued to work with children for two weeks until the issue was resolved. In this particular instance, the inspector did not tell centre staff this was a high-priority violation that needed to be fixed immediately. In the other instance, the individual did not have contact with children until the check was provided.
- 1.22 *Timing of inspections* – Under Education and Early Childhood Development's policy, an unannounced inspection is required to be conducted four to nine months after the scheduled inspection. The goal of this inspection is to surprise the centre and get a view of the normal day-to-day operations. We found that for 11 of 32 centres with an unannounced inspection in each of the two fiscal years during our audit period, the inspections were completed around the same time each year. There was a variance of five or less days between the annual dates of unannounced inspections. The predictability of an unannounced inspection removes the element of surprise and may allow the centres to prepare. An effort should be made to vary the time between unannounced inspections from one year to the next.





- 1.23 *Performance management* – Education and Early Childhood Development does not monitor or review licensing officer performance, including if work is completed on time or documentation is filed appropriately. A review process would allow the Department to help ensure standards are appropriately and consistently applied by all inspectors across the province.

### **Recommendation 1.2**

The Department of Education and Early Childhood Development should develop and implement a quality assurance process to review inspectors' work.

***Department of Education and Early Childhood Development Response:*** *The Department accepts and intends to implement this recommendation. The Department currently does licensing file reviews, a review of every complaint investigation and monthly meetings with licensing officers to review inspections and processes. In addition to this we will develop a standard for how often this will occur and introduce a "peer review" process by January 2017 with full peer reviews starting in April 2017. These reviews will be used as a basis for Licensing Officers to engage in discussion and analysis of licensing issues that have arisen during the month to ensure that consistent interpretations of the regulations are made and to standardize practices and decision-making processes.*

## **Licensing and Inspection – Family Home Day Care Agencies**

### Conclusions and summary of observations

Improvements are needed in the Department of Education and Early Childhood Development's monitoring of licensed family home day care agencies. The Department is not following its policy which requires inspectors from Education and Early Childhood Development to complete some inspections of approved family home day cares. While the Department reviews agency records for the inspection of approved family home day cares, it does not follow its policy to complete some of the inspections. As a result, Education and Early Childhood Development cannot verify the thoroughness of the inspections completed by agency staff or that all violations are identified and corrected. In some instances, the agencies were not completing the required inspections of the approved family home day cares.

### ► **Department not inspecting approved family home day cares in accordance with departmental policy**

- 1.24 *Licensed family home day care agency inspection process* – Licensed family home day care agencies are responsible for monitoring approved family home day cares within their region in accordance with the Day Care Act and Regulations. The Department of Education and Early Childhood Development relies on licensed agencies to monitor the approved family home day cares



for compliance with legislation. Agencies are to annually inspect approved family home day cares for compliance with regulations using a checklist prepared by the Department. As noted earlier, licensed child care centres are inspected twice per year by Education and Early Childhood Development.

- 1.25 The Department inspects the records of licensed family home day care agencies twice per year. One inspection is scheduled in advance, while the other is unannounced. Department inspectors check documentation to confirm the agency's annual inspection of the family home day cares. The Department will also ensure agency staff have the appropriate criminal record and child abuse registry checks and first aid training. Education and Early Childhood Development's policy on the inspection of licensed family home day care agencies requires a departmental inspector, accompanied by the inspector from the family home day care agency, to inspect at least 25 percent of the family home day cares under the agency each year. However, we were told this policy is not followed. Education and Early Childhood Development staff thought departmental inspectors should be more involved in the monitoring of the inspections of approved family home day cares.
- 1.26 While the Department is monitoring agencies to determine whether approved family home day cares are inspected, there are risks associated with the agency inspecting and reporting on approved family home day cares under its management. Since staff from the Department of Education and Early Childhood Development are not present for the inspections of approved family home day cares, the Department cannot verify the thoroughness of the inspections completed by Family Home Day Care Agency staff or that violations are being corrected.

### **Recommendation 1.3**

The Department of Education and Early Childhood Development should update and follow its licensed family home day care inspection policy. This should include mechanisms for the Department to verify the inspection information reported by family home day care agencies.

***Department of Education and Early Childhood Development Response:** Feedback received through the Child Care Review also supports this recommendation and the Department plans to update and fully implement the family home day care inspection policy. In 2017, the Department will develop the process to ensure staff inspect a minimum of 25% of homes as part of the agency licensing process in the future.*

- 1.27 *Licensed family home day care inspections* – We examined the Department of Education and Early Childhood Development's inspections of five family home day care agencies. There were 20 inspections of five agencies during our audit period. Nine of 20 inspections identified at least one violation by the agency. There were a total of 21 deficiencies across the nine inspections.



1.28 The chart below provides details of the four most common violations identified through the Department’s inspections of the family home day care agencies’ files.

Number of Violations	Violation	Day Care Regulation
6	An Agency must annually assess care providers and family day care homes under its management.	14(f)
2	Criminal Record Checks are required for any persons 18 or older who have contact with children (including volunteers).	43(2)(a)
2	Licensees must complete a child abuse registry check for any person, 13 or older, who lives in a home which operates as a family home day care.	43(4)
2	A licensee must obtain written confirmation that a parent has received the parent handbook.	44(5)

1.29 The most frequent deficiency related to the requirement of the agency to annually review the approved family home day cares under its management. Of the six total violations related to the annual review, there were two cases where the agency had not completed a review of all homes under its management. For the remaining four violations, all areas to be included in the review were not completed. Without these reviews, there could be an increased risk to the safety of children cared for by approved family home day cares.

1.30 *Enforcement at licensed family home day care agencies* – When the Department finds a violation at a licensed family home day care agency, it follows the same process as it does for licensed day care centres. As noted above, nine of the 20 agency inspections identified violations. The violations related to seven inspections were corrected by the agency within the Department’s 30-day deadline. The two remaining inspections were each from the same agency and while the violations were corrected by the agency, additional enforcement action was needed by the Department to achieve compliance. For one of these inspections, a probationary license warning letter was issued. For the other inspection, the agency was issued a probationary license when the deadlines for correction were not met.

## Complaints

### Conclusions and summary of observations

While the Department of Education and Early Childhood Development does not have a documented policy for responding to complaints related to both licensed and unlicensed child care, we found the Department did a good job of responding to complaints received during the audit period. We recommended the Department establish a formal complaints policy.



### Department does not have a documented complaints policy

- 1.31 *Complaints* – The Department of Education and Early Childhood Development is responsible for receiving and investigating complaints against licensed day care centres and licensed family home day care agencies and approved family home day cares, along with complaints related to unlicensed child care. The Department does not have a complaints policy or standards around prioritizing categories of complaints and response times for conducting an investigation.
- 1.32 We selected a sample of 30 complaints received during the audit period and reviewed the Department’s response. Despite the lack of a policy, we found a reasonable process to record, investigate, and sign off complaints against child care centres and agencies. We did not identify significant issues with Department responses to these complaints. If regulatory violations were found as result of the complaint, these were followed up to ensure compliance. Although the Department’s informal processes are good, it is still important to have a documented policy so all staff have clear direction.

#### **Recommendation 1.4**

The Department of Education and Early Childhood Development should develop and implement a policy outlining how complaints against child care providers and agencies are to be investigated.

*Department of Education and Early Childhood Development Response: The Department agrees that a clear policy for complaint investigation is required. The Department currently has draft Complaint Guidelines that the Early Years Branch staff will work with Policy and Planning to formalize. The guidelines address priority of response and identify response timelines. It is expected that the Guidelines will be implemented by January 2017.*

### **Accessibility and Affordability of Child Care**

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#### Conclusions and summary of observations

The Department of Education and Early Childhood Development (and previously Community Services) reported some success in achieving performance outcome targets for access to safe and affordable child care. However, these results may not tell the entire story. Government has not adequately defined what it means by accessible and affordable child care. However, the Department’s recent child care review included recommendations to improve accessibility and affordability of child care. An action plan was developed to implement changes over the next five years. Some of these actions will require more work to achieve; diligent planning



and oversight will be required to keep the action plan on track. We recommended relevant performance measures be established to assess effectiveness in these areas.

1.33 *Background* – Access to safe and affordable child care has been an area of focus for the Department of Education and Early Childhood Development (and previously Community Services). Measures of success have included targets for the number of regulated child care spaces available and the percent of spaces subsidized by government.

1.34 There has been some success in achieving these outcome targets. The Department reported that a target of 17,000 regulated child care spaces was surpassed in 2014-15. Regulated child care spaces includes child care centres licensed by the Department and family home day cares approved by licensed family home day care agencies. The Department also had a target that 31 percent of these spaces would be subsidized; that has not been reached (26 percent). However, there has been an improvement from the baseline of 23 percent. A new measure was developed for 2015-16 that looks at the use of available subsidized spaces; however, a performance target was not set for this measure.

Child Care Performance							Base Year	
	Target	2015-16	2014-15	2013-14	2012-13	2011-12	2006-07	2013-14
Number of spaces in regulated child care setting	17,000		17,027	16,396	16,749	16,377	13,249	
Percentage of subsidized child care spaces	31%		26%	27%	26%	27%	23%	
Percentage of average daily subsidized child care spaces used out of total available spaces	Increase over baseline	NA						97%

► **Department has not defined accessible and affordable child care**

1.35 The Department has not defined what it means by accessible and affordable child care; this is seen in the performance measures reported. The number of subsidized spaces used may indicate whether the program is used, but it does not fully address whether the Department has been successful in making child care more affordable. The child care subsidy program is discussed later in this chapter.

1.36 Department management told us that defining what is accessible and affordable is difficult; for example, these may have different meanings depending on where you live or when caring for children with special needs. For these reasons, there should be performance measures that gauge the results of specific department initiatives versus expected outcomes. With



the Department's child care review, completed in 2016, the Department has an opportunity to fine-tune performance measurement in these areas.

**Recommendation 1.5**

The Department of Education and Early Childhood Development should develop relevant performance measures to assess the effectiveness of its affordability and accessibility initiatives.

***Department of Education and Early Childhood Development Response:** Over the next five years, the Department will implement nine actions that relate to affordability and accessibility including increases to the child care subsidy per diems, introduction of a limit on the amount by which child care centres can raise their fees and by raising the eligibility criteria for families to receive the maximum subsidy rates. The Department will measure these changes through analysis of uptake in the program, demographic data, utilization rates, and the number of families receiving maximum per diem rates. This information will be compared over time and be used for reviews of the program. A key initiative for the Department is the introduction of a strategic growth plan. This will enable the Department to ensure new child care spaces are funded in communities where they are needed most by looking at factors like birth rates, housing growth, and population health data.*

► **Recommendations in child care review to address accessibility and affordability concerns**

1.37 *Child care review* – In early 2015, the Department of Education and Early Childhood Development began a review of child care in the province. It involved public surveys, stakeholder submissions, and interviews. The review was completed in March 2016 and included five recommendations to address access and affordability concerns identified.

- Sharing information and resources with families and early childhood educators
- Increasing options available given the needs of urban versus rural communities
- Improving access to infant care and care for children with special needs
- Updating the subsidy program to make it easier to apply
- Improving support for low-to-middle-income families to make it easier to access child care

1.38 In June 2016, the Department released its action plan *Affordable, Quality Child Care: A Great Place to Grow*. This plan is meant to address the child



care review issues over the next five years. Twenty-seven actions were identified along with timeframes for completion. For example, the plan called for increases to subsidy amounts in 2016-17 and limiting fee increases permitted by regulated day cares to help address affordability. This would make more people eligible for the subsidy by raising the income cap. The Department expects other actions concerning access to child care will need more consultation and study. For example, one action discusses improving choices for child care by increasing the number of regulated family home day care programs, and another, increasing the number of child care spaces in communities with the greatest need.

- 1.39 Since the child care action plan is multi-year and involves a number of unknowns, the Department should take a project management approach to oversee, plan, develop milestones, manage the work, and monitor results, to ensure the action plan remains on track.

#### **Recommendation 1.6**

The Department of Education and Early Childhood Development should use project management structures to plan, oversee the work, and monitor results of the *Affordable, Quality Child Care: A Great Place to Grow* action plan. Work plans should be detailed and specify what needs to be done, when, and expected results.

**Department of Education and Early Childhood Development Response:** *The Department agrees with this recommendation and has created and is following work plans for all of the initiatives to be rolled out in 2016/17 and will continue to track progress and develop work plans for all initiatives which will clearly document timelines, deliverables and outcomes.*

### **Child Care Grants and Subsidies**

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#### Conclusions and summary of observations

The Department evaluated the early childhood enhancement grant and child care subsidy programs as a part of its child care review completed in 2016. It determined the program objectives had not been met. We also saw similar issues in our work. The Department has taken some steps to address the issues, for example, the subsidy program has been changed to attract more participation. However, the Department relies on self-reporting by child care centres in the distribution of program funding, which means it may not be based on actual eligibility. We also found annual reviews of subsidy clients were not conducted as required by department policy.

- 1.40 *Early childhood enhancement grant* – The early childhood enhancement grant is meant to help licensed child care providers pay additional wages to staff who work directly with children, provide funding for staff professional





development, and offset some centre operating costs. In 2014-15, the grants totaled \$19 million. The program is intended to help the recruitment and retention of early childhood education professionals.

- 1.41 *Child care subsidy* – Families can get support for child care expenses through a subsidy that is paid from the Department directly to regulated child care providers. In 2014-15, the amount paid for the subsidy program was \$18 million. The purpose of the subsidy is to help eligible families with the cost of child care expenses to enable them to work, pursue employment, attend school, and cope with family crises.

► **Early childhood enhancement grant and child care subsidy program not meeting objectives**

- 1.42 *Grant and subsidy program evaluation* – We expected the Department to evaluate the child care funding programs in relation to their objectives. Issues with achieving objectives of both programs were identified during the Nova Scotia Review of Regulated Child Care completed in 2016.
- 1.43 The Nova Scotia Review of Regulated Child Care found that the objectives of the early childhood enhancement grant were not met. Staff recruitment and retention continues to be a challenge due to low wages and benefits. There are also differences in how centres allocate their grant funding, which leads to inconsistencies in wages for childhood education staff.
- 1.44 The review made recommendations to address the issues, and included: improving wages, working with child care providers to work on recruitment and retention strategies, and increasing professional development opportunities. It also recommended improved funding accountability and reporting requirements to ensure grants are used as intended.
- 1.45 The June 2016 action plan created minimum wages for each professional level of early childhood educators. These requirements are to take effect October 2016.
- 1.46 With respect to the child care subsidy program, the review also found that even if applicants are eligible, the program may not be effective in allowing families to work, pursue employment, attend school, and cope with family crises. The review reported that the subsidy rates for low income parents are the lowest in the country and subsidy assistance is well below the cost of care. So even when eligible and subsidized, in some cases, families may not be able to afford child care at a licensed centre.
- 1.47 The Department has recently attempted to address concerns identified in the review by raising the income level of those who can qualify for the maximum subsidy, increasing the subsidy amount, and placing a limit on fee increases that regulated child care centres can charge.





► **Weaknesses in the administration of early childhood enhancement grant and child care subsidy program**

- 1.48 *Grant administration* – For the early childhood enhancement grant, there is a documented application process, eligibility criteria, and a funding formula based on centre attendance, and an annual review process. We looked at 30 regulated child care centres and assessed grant funding in light of the Department’s policy. We found minor issues with the files reviewed, including minor grant calculation errors, and missing or incorrect file documentation. We also found nine instances reported by the centres in which wage allocations appear to be inconsistent with the spirit of the terms and conditions of the grant. For example, some entry level or level 1 educators were allocated more of the grant than those at higher levels. In other cases, the grant amounts paid within a level varied significantly or were paid equally to all regardless of level.
- 1.49 According to the grant’s terms and conditions, the wage portion is meant to be paid out according to the professional level of the early childhood educators. However, there was no real guidance on how the wage grant should be divided among child care staff. As previously discussed, the Department’s action plan attempted to address this issue by setting minimum wage standards for early childhood educators.
- 1.50 *Subsidy administration* – We looked at 30 child care subsidy files to compare them to Department policy.
- 1.51 Annual reviews are to be conducted with families to ensure the Department has current financial, family, and child care information. We found this did not always happen. There were 23 instances in which annual reviews were completed late. Of these, 15 recipients did not have an annual review for more than two years, and 6 for more than three years. Income and other factors impacting the subsidy, such as marital status, may have changed during that time. Department management has suggested that a lack of available resources has contributed to this work not being done.

**Recommendation 1.7**

The Department of Education and Early Childhood Development should review its policy for determining the status of subsidy claimants and conduct status reviews as required.

*Department of Education and Early Childhood Development Response: The Department agrees with this recommendation and intends to implement it by ensuring the timely processing of applications to determine eligibility. The Department will implement process improvements to enable staff to perform regular reviews to ensure that families who need subsidy most and meet requirements are*



able to access it. The first step towards this will be the release of an improved subsidy application process in December 2016. The new application will make it easier for applicants to complete and for staff to review and process applications more efficiently. Additional policy revisions focused on strong client service and efficient service delivery will be implemented in spring 2017.

- 1.52 We also looked at 30 child centre subsidy claims to verify accuracy of the monthly payment versus the claim. Payments were correctly made based on the claims, except in the case of one payment which we could not verify because the file could not be found.
- 1.53 *Self-reporting for funding programs* – The annual review process for the early childhood enhancement grant involves the child care centre filing an annual review report with the Department. The Department does not review the supporting documentation. By relying solely on self-reporting, the grant money may not be distributed according to actual need. Similarly, the Department does not review supporting records for child care centre subsidy claims, despite a requirement that this be done. The Department has no processes to know that the claims are accurate.

**Recommendation 1.8**

The Department of Education and Early Childhood Development should implement review processes to help verify grant and subsidy claims.

***Department of Education and Early Childhood Development Response:*** *The Department agrees with this recommendation and intends to implement it to ensure that grant funding programs and the subsidy program are working as effectively and efficiently as possible. As per Action 23 in the child care plan, over the next several months, we will be implementing new reporting requirements, accountability measures, and random audits to ensure grants are utilized as required by policy and criteria. With respect to the child care subsidy program, we will also be exploring options for enabling claim payments to be made in secure and efficient manner through an online system.*